



**South Coast Air Quality Management District**

**Engineering & Compliance**

*Policies &  
Procedures*

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

**ENGINEERING DIVISION**

**MEMORANDUM**

**DATE:** July 16, 1991  
**TO:** Staff Engineers, Supervising Engineers, and Managers  
**FROM:** Nick Nikkila /s/ Nick  
**SUBJECT:** Procedures for Issuing Emission Reduction Credits from ERC Applications  
Deemed Complete Prior to October 1, 1990

Since April 4, 1988, there have been three Engineering Division memorandum addressing the qualification and quantification of ERCs deemed complete prior to October 1, 1990. Taken in combination, these memos can appear to be in conflict with one another. The attached policy memo is being issued to eliminate that sense of conflict and provide clarity to the correct way to deal with this ERC issue using procedures given in Rules 1306, 1309, and a March 17, 1988 report to the Board on the administrative interpretation of the emissions offsetting and banking policy. I hope it is helpful to you.

MDM:sr

Attachment

(M16)

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

**ENGINEERING DIVISION**

**MEMORANDUM**

Subject: PROCEDURES FOR ISSUING EMISSION  
REDUCTION CREDITS (ERCs) FROM  
APPLICATIONS DEEMED COMPLETE  
PRIOR TO OCTOBER 1, 1990

Date: July 16, 1991

No. C

1.0. POLICY

Determining the eligibility and amount of emission reduction credits (ERCs) resulting from ERC applications deemed complete prior to October 1, 1990.

2.0. PROCEDURES FOR ERC APPLICATIONS DEEMED COMPLETE PRIOR TO OCTOBER 1, 1990.

These procedures are only applicable to ERC applications deemed complete prior to October 1, 1990.

A. Qualification of ERCs

ERCs can result from either a shutdown or a process control modification. According to Rule 1309(c), offset credits, resulting from shutdowns, may only be granted if the calculated actual emission reductions are greater than the corresponding new source review threshold values specified in Rule 1303(a)(2) for that contaminant when there is no contemporaneous replacement with functionally equivalent permit units. For example, an existing source with ROG emissions could not receive offset credit unless its entire emission reductions exceeded the threshold of 75 lbs/day. For NO<sub>x</sub>, it would be 100 lbs/day.

According to the March 17, 1988 Report to the Governing Board on the Administrative Interpretation of the Emissions Offsetting and Banking Policy, only emission reductions which exceeded the threshold limits in Rule 1303(a)(2) would be eligible for registration as an emission reduction credit. The only exception to this policy were sources which previously offset their emissions to levels below the threshold limits in Rule 1303. These sources would receive the entire emission reduction in the form of ERC's provided such emission reductions exceeded the threshold, as specified in Rule 1309(c).

B. Special Considerations

When reviewing applications for emission reduction credits, remember to consider the requirements of Rule 1305(d)(3). Credits can only be given for those emissions in excess of that required by:

- A tactic in the AQMP
- A proposed District rule; or
- An adopted District rule.

Rule 1305(d) fully spells out these criteria. In addition, all credits must be real, quantifiable, surplus, permanent and enforceable.

C. Quantification of ERCs

ERCs must be calculated based on actual emissions from the affected source as required by Rule 1308(b) of the pre-October 1, 1990 version of NSR. Based on the criteria of Rule 1308(b), the calculation procedure of Rule 1306(c)(1)(B) is applicable for all sources regardless of their NSR history.

Subject: PROCEDURES FOR ISSUING EMISSION REDUCTION CREDITS (ERCs) FROM APPLICATIONS DEEMED COMPLETE PRIOR TO OCTOBER 1, 1990

3.0. TREATMENT OF ERCs, AFTER OCTOBER 1, 1990, THAT WERE ISSUED UNDER THE PRE-OCTOBER 1, 1990 VERSION OF NSR.

Under Rule 1309(a) of the new NSR regulation, any facility with an existing ERC shall receive a written certificate for a facility ERC by July 1, 1991, or by February 1, 1991, if the facility has no pending applications that could affect the ERC. This new facility ERC will indicate total available credits at that facility.

Rule 1306(e) states that the NSR balance at a facility must be zero before a facility ERC can be issued. Using this guideline, the facility's NSR balance must be subtracted from an existing ERC before a facility ERC can be issued. The facility ERC must then be discounted by 80 percent, according to Rule 1309, if it was the result of a shutdown. This procedure is illustrated in the following examples of three companies with ERCs issued under the pre-October 1, 1990 version of NSR:

Example 1: Positive NSR balance and ERC

A company with a positive NSR balance of 50 lbs/day and an existing ERC of 40 lbs/day will not be issued an ERC under the new NSR regulation, but will have its NSR balance reduced to 10 lbs/day and then adjusted, pursuant to Rule 1306, to 8 lbs/day.

Example 2: Existing ERC is greater than NSR balance

A company with an NSR balance of 30 lbs/day and an existing ERC of 40 lbs/day will be issued an ERC of 10 lbs/day if the former ERC was the result of over-control or process modification, or 2 lbs/day, pursuant to Rule 1309, if it was the result of a shutdown.

Example 3: Negative NSR balance and ERC

A company with a balance of -20 lbs/day and an existing ERC of 40 lbs/day shall receive the following amounts of emission reduction credit:

If a shut ERC:  $.2(20 + 40) \text{ lbs/day} = 12 \text{ lbs/day}$

If an overcontrol ERC:  $.2(20 \text{ lbs/day}) + 40 \text{ lbs/day} = 44 \text{ lbs/day}$

**APPROVED**

/s/ Nick Nikkila

Nick Nikkila, Director  
Engineering Division